

**Report on Audit of Proposed Fiscal Year 2001  
Direct Labor Forward Pricing Rates,  
Full Time Accounting Factor,  
and Escalation Rate**

**March 2003**

**Reference Number: 2003-1C-061**

**This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.**



INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

March 4, 2003

MEMORANDUM FOR DAVID A. GRANT  
DIRECTOR OF PROCUREMENT  
INTERNAL REVENUE SERVICE

FROM: Daniel R. Devlin  
Assistant Inspector General for Audit (Headquarters Operations  
and Exempt Organizations Programs)

SUBJECT: Report on Audit of Proposed Fiscal Year 2001 Direct Labor  
Forward Pricing Rates, Full Time Accounting Factor, and  
Escalation Rate (Audit #200310002.025)

The Defense Contract Audit Agency (DCAA) audited the contractor's Civil Division and Systems Sciences Operation October 18, 2000, Direct Labor Rate Proposal for Fiscal Year 2001. The purpose of this audit was to determine whether the proposed direct labor rates, Full Time Accounting factor, and escalation rate are reasonable and in compliance with applicable regulations; and therefore, acceptable as a basis to negotiate fair and reasonable direct labor forward pricing rates.

The DCAA stated that the contractor has submitted adequate cost or pricing data. The proposal was prepared in accordance with applicable Cost Accounting Standards and appropriate provisions of the regulations. The DCAA considers the proposal to be acceptable as a basis for negotiation of fair and reasonable forward pricing and provisional billing indirect rates.

This DCAA report was issued in March 2001, however, the Treasury Inspector General for Tax Administration (TIGTA) did not receive the report until February 2003. The Internal Revenue Service (IRS) previously received a copy of the report directly from the DCAA. We are transmitting the report to you to enable the IRS to track any financial accomplishments derived from negotiations with the contractor based on the results of this DCAA report.

The information in this report should not be used for purposes other than that intended without prior consultation with the TIGTA regarding its applicability.

If you have any questions, please contact me at (202) 622-8500 or John R. Wright, Director, at (202) 927-7077.

Attachment

# NOTICE:

The Office of Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 USC 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

*The TIGTA seal was removed due to its size.*